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March 30, 2017

Belmont Contributory Retirement System  
455 Concord Avenue  
Belmont, MA 02478-0900

Subject: Costs of Increasing the COLA Base - Revised

Dear Board Members:

This letter revises our letter dated March 17, 2017 and provides the impact on the fiscal 2019 appropriation of increasing the COLA base to \$14,000 effective date to July 1, 2018, rather than one year earlier shown in the previous letter.

The funding schedule included in the January 1, 2016 Actuarial Valuation and Review dated January 6, 2017 fully funds the actuarial accrued liability of the Belmont Contributory Retirement System by fiscal 2029 with total payments increasing 6.97% for fiscal 2018 and fiscal 2019 and 4.45% per year thereafter. We have incorporated the additional cost of increasing the COLA base into the funding schedule by adding an amount to the fiscal 2019 appropriation, with future appropriations increasing by 4.45% per year thereafter.

### **COLA Base Increase**

We have estimated the cost of increasing the Cost of Living Adjustment (COLA) base effective July 1, 2018 from \$12,000 to \$14,000. We have estimated that increasing the COLA base to \$14,000 increases the July 1, 2018 Unfunded Liability by \$1,722,000, the July 1, 2018 employer normal cost by \$37,000 and the fiscal 2019 appropriation by \$219,100.

Please refer to our January 1, 2016 Actuarial Valuation and Review dated January 6, 2017 for the data, assumptions and plan of benefits underlying these calculations.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

The actuarial calculations were directed under my supervision. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in my opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

Please let us know if you have any questions or need any additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kathleen Riley".

Kathleen A. Riley, FSA, MAAA, EA

KCR/an

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